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Report No. 2018-16

TO: Holly Schoenherr, Director
Human Resources Department

FROM: Hector Collazo Jr., Inspector General/Chief Audit Executive
Division of Inspector General 

DIST: Ken Burke, CPA, Clerk of the Circuit Court and Comptroller
Clairetha Harris, Chief Deputy Director, Finance Division
Jeanette Phillips, Director, Finance Division

SUBJECT: Unannounced Audit of the Human Resources Department Petty Cash and Change Funds

DATE: July 25, 2018

This letter serves to inform you that the Division of Inspector General has completed an unannounced audit of the Human Resources Department Petty Cash and Change Funds on June 18, 2018.

The objective of our audit was to reconcile the Petty Cash and Change Funds, and to ascertain that the appropriate internal controls, safeguards, and policies and procedures are being followed, safeguarding the county funds under your departmental control.

Our audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and the *Principles and Standards for Offices of Inspector General*, and accordingly, included such tests of records and other auditing procedures as we considered necessary in the circumstances.

The Petty Cash and Change Funds did reconcile to the authorized amounts. The department's internal controls and safeguarding of these funds are adequate, and the majority of the policies and procedures are being followed. We did note some deviation



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from the Finance Division's Petty Cash and Change Fund Policy and Procedures. These issues are noted below.

1. The Petty Cash Fund Is Not Counted And Balanced Every Month.

The supervisor of the custodian or another designee does not count and balance the Human Resources Petty Cash Fund monthly. Per the Primary Custodian, the Director, who is also the Alternate Custodian, is counting the fund when petty cash is submitted for reimbursement. We noted in the OPUS system the last petty cash reimbursement was October 20, 2016. The Petty Cash Fund is not reimbursed frequently; therefore, the risk is higher for undetected misuse of funds.

The Finance Division's Petty Cash and Change Fund Policy and Procedures states that, "At a minimum each fund should be counted and balanced monthly by the supervisor of the custodian or other designee." Cash fund policies and procedures are controls that are designed to safeguard cash.

The Alternate Custodian was not aware of the requirement to count and balance the Petty Cash Fund at least every month. Non-compliance with policies and procedures can increase the risk of potential misuse of these funds.

We recommend Management require the supervisor of the Custodian, or appointed designee, count and balance the Petty Cash Fund on a monthly basis to comply with the Finance Division's Petty Cash and Change Fund Policy and Procedures.

Management Response:

Upon considering the cost/benefit of administering petty cash within the Human Resources Department, management has decided to discontinue the program as petty cash is rarely used. In situations where it has been used, those expenditures can be funded through alternative methods.

2. The Previous Alternate Custodian Is Performing Backup Responsibilities For The Change Fund.

The previous Human Resources Change Fund Alternate Custodian assisted us with our unannounced cash audit. During the cash audit, the previous Alternate Custodian stated that they perform backup responsibilities for the Primary Custodian. In March 2017, the Human Resources Division submitted the, "REQUEST FOR PETTY CASH/CHANGE FUND" form requesting a change in the Alternate Custodians for the Human Resources Petty Cash and Change Funds. However, the previous listed Alternate Custodian remains actively involved with the Change Fund.

The Finance Division's Petty Cash and Change Fund Policy and Procedures state, "Accountability for the funds resides with the Department Director and the designated custodian."

During our cash audit and follow-up communications, we noted there is uncertainty by Human Resources staff as to who the Change Fund Alternate Custodian is. Risk of potential misuse of funds exists when non-custodial employees have access to the Change Fund.

We recommend Management evaluate their need for backup coverage for administering the Change Fund, and determine if the previous Alternate Custodian should be added as a second Alternate Custodian. If additional coverage is not required, we recommend the previous Alternate Custodian cease having access to the Change Fund.

Management Response:

Upon considering the cost/benefit of administering petty cash within the Human Resources Department, management has decided to discontinue the program as petty cash is rarely used. In situations where it has been used, those expenditures can be funded through alternative methods.

We appreciate your staff's cooperation during this audit.